

Managed Risk Medical Insurance Board
September 19, 2007, Public Session

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Sophia Chang, M.D., M.P.H., and Richard Figueroa, M.B.A.

Ex Officio Members Present: Ed Heidig (on behalf of the Secretary for Business, Transportation and Housing), Ruth Liu (on behalf of the Secretary for California Health and Human Services Agency), and Jack Campana.

Staff Present: Lesley Cummings, Denise Arend, Laura Rosenthal, Ronald Spingarn, Shelley Rouillard, Terresa Krum Janette Lopez , Ernesto Sanchez, Ruth Jacobs, Renee Mota-Jackson, Carolyn Tagupa, Cynthia Reed, Larry Lucero, Max Hannan, Thien Lam, Seth Brunner, Adrienne Thacker, Maria Angel, and Alba Quiroz-Garcia.

Chairman Allenby called the meeting to order at 11:05 am.

ITEM 3. REVIEW AND APPROVAL OF MINUTES OF JULY 25, 2007 MEETING

The Board reviewed the minutes from the previous meeting.

A motion was made and unanimously passed to approve the minutes of the July 25, 2007 meeting with no changes. These are available at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_072507/Public_Session_Minutes_7-25-07draft.pdf.

WELCOME

Chairman Allenby welcomed everyone and introduced newly appointed Board members Ed Heidig, Department of Managed Health Care Chief Deputy Director, representing the Secretary for Business, Transportation and Housing, and Ruth Liu, Associate Secretary of Healthcare Policy and Development, Health and Human Services Agency, representing the Secretary for California Health and Human Services Agency.

ITEM 4. HEALTH CARE REFORM UPDATE: GOVERNOR'S HEALTH CARE REFORM PROPOSAL, AB 8 AND OTHER PROPOSALS

Lesley Cummings said that Governor Schwarzenegger has called a special session of the legislature to allow time for continued negotiations with the legislature on health care reform. The leadership has been having discussions about ground rules for the special session and the timing as to when the issues of health care and water would be addressed.

AB 8

AB 8 (Nunez) was passed by the legislature and sent to the Governor who has said that he will veto it. Ms. Cummings presented a summary of the September 9, 2007 version of AB 8, the version sent to the Governor. She highlighted changes that had been made to the bill since it was last discussed with the Board. The summary is available at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/item4_AB8_Board_Summary_9-19-07.pdf.

The Chairman had a question about a new provision that establishes the California Health Benefit Service to create joint ventures among public health plans, where possible, and to negotiate its own network where it is not. He asked if the intent is for joint ventures of public health plans to provide coverage in rural counties that are now entirely fee-for-service. Ms. Cummings said that the intent as she understood it is to create a public insurer. She indicated that she did not know whether AB 8 in its present form would be re-introduced in the Special Session in its current form or with amendments.

Laura Rosenthal made one correction to the AB 8 summary: MRMIB would have an option, not a requirement, to allow state and local government entities and labor organization or other collective bargaining entities to also purchase pharmaceuticals for their members if it contracts with the Department of General Services or a pharmaceutical benefit manager for these services.

This item is available at:

http://www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/item4_AB8_Board_Summary_9-19-07.pdf

ITEM 5. STATE LEGISLATION UPDATE

ITEM 5a. Legislative Summary

Ron Spingarn informed the Board that Mary Anne Terranova, MRMIB's Legislative Coordinator, has taken a position with another agency. She had asked that he convey her best wishes to the Board. He then reviewed the document she had

prepared that updated the Board on the status of state legislation, highlighting several bills of particular import.

He drew the Board's attention to AB 195 which reduced funding for MRMIP by \$10 million. This reduction is on top of the \$8.3 million reduction made in the budget act. Another bill he mentioned was AB 1750 that extends the authority of the Board to discuss contracting strategy in Executive Session. Previously, the Board was only authorized to discuss contracting strategy concerning plan contracts. Ms. Cummings informed the Board that Ms. Rosenthal had worked assiduously on educating legislative and administration staff on the need for the expansion. Laura Rosenthal made two corrections to the legislative summary of AB 1750: First, that it was sponsored by the Administration, not the Assembly Health Committee, and second while it would extend MRMIB's Public Records Act (PRA) exemptions for materials related to contract negotiation strategies, it would not alter PRA exemptions for contracts of other entities. The summary is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/5a_leg_status_report-final.pdf.

ITEM 5 b. AB 2

Laura Rosenthal presented a summary of AB 2, by Assembly Member Dymally, and highlighted what has changed since the last version of the bill was discussed with the Board. The bill concerns the financing of the Major Risk Medical Insurance Program (MRMIP). The summary is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/Agenda_item_5.b.pdf.

Ms. Cummings noted that AB 2 was not sent to the Governor but that ABX 3 by Assembly Member Dymally was introduced in the special session to address the issues in AB 2.

ITEM 6. STATE BUDGET UPDATE

Terresa Krum, Deputy Director for Administration, provided an update on the state budget. She reported that the Governor signed a budget on August 24 and there were three reductions that impact MRMIB. First, funding for three positions and projected caseload growth related to implementation of SB 437 was delayed for one year to contribute funds to a prudent reserve. Second, as noted by Mr. Spingarn, there was a one-time \$10 million reduction in Proposition 99 funds for MRMIP. The budget redirects these funds to fund primary care clinics. In addition, \$8.3 million in Proposition 99 funds were taken by the Legislature to fund the AIM program, as was reported at an earlier Board meeting. Third, the Governor reduced funds in the Department of Health Care Services' budget for county outreach grants for enrolling children in Healthy Families and Medi-Cal. Funding for Community Application Assistants (CAAs) in MRMIB's budget was not reduced. Despite delays in the budget being passed, the State Controller's Office reports that it is paying HFP-contracted health plans in a timely manner.

ITEM 7. FEDERAL BUDGET, LEGISLATION AND EXECUTIVE BRANCH ACTIVITY

ITEM 7 a. SCHIP Reauthorization

Ron Spingarn presented highlights of a Congressional Research Service report summarizing the SCHIP reauthorization bills. The report is available at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/7a_CRS_SCHIP_side-by-side_081507.pdf.

He said that last night Congress apparently struck a deal between the House and Senate on a bill to send the President. It is not entirely clear what provisions will be in the bill and if both houses will have enough votes to override a veto which has been promised by the President. The House is expected to vote this Tuesday and to amend the bill before sending it to the President. Then it goes back to the Senate for concurrence before being sent to the President as early as next week.

There was also a bill introduced that would make the August 17th CMS letter null and void. It is possible that a similar provision may end up in the bill to be sent to the President.

Also, it is expected that a continuing resolution will be sent to the President to extend level funding for a short period of time, six or eight weeks, given the President's expected veto of the 5 year bill. There have been discussions about possibly packaging SCHIP funding in a larger omnibus-type of bill.

ITEM 7 b. CMS Rules for SCHIP Coverage Expansion

Ms. Cummings referred to a copy of a letter sent by CMS on August 17th to restrict states' ability to expand coverage above 250% of the federal poverty level. The letter issued by CMS included a number of provisions which have been rejected in the bills on reauthorization. The letter establishes 11 new rules, all of which a state must satisfy before it can expand eligibility to persons above 250% FPL. She highlighted some issues of concern in the letter: a cost-sharing requirement that sets SCHIP cost-sharing in relation to private coverage, a minimum of one-year of uninsurance for persons above 250% FPL to enroll, a requirement that there not be a greater than 2% drop in employer-based coverage, and a requirement that a state enroll 95% of children below 200% FPL before expanding to higher incomes. With the last issue, CMS has crafted a lose-lose proposition: if a state uses the database CMS suggests and therefore meets the 95% level in order to enroll persons above 200% FPL, then they receive less federal funds (based on the number of uninsured children), or if they do not meet the 95% level then they can not enroll higher income children.

CMS has already applied these new rules in a stop-the-clock letter sent in response to a state plan amendment MRMIB submitted on behalf of Santa Cruz County that wants FFP for children enrolled in its Healthy Kids program with incomes between 250% to 300% FPL.

AIM coverage is clearly affected as it covers pregnant women up to 300% of FPL. The Healthy Kids programs in Santa Clara, San Francisco and San Mateo would also be affected. CMS has said that states have a year to come into compliance and that the new rules will not be applied to existing enrollees.

The rules also apparently affect California's current programs as they require use of "gross income" instead of "net income," otherwise known as "income disregards" to assess income levels. Children with family incomes near the 250% FPL level would likely be impacted, including those already in our programs.

Governor Schwarzenegger signed onto a letter sent by 30 governors of both parties opposing the new CMS rules. In addition he co-signed a letter with New York Governor Eliot Spitzer requesting that the President repeal the new rules. The letter is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/Agenda_item_7b.pdf.

CMS contacted Ms. Cummings to inquire if it was feasible to shift children from the Healthy Families program into Medi-Cal. She told them that a change in the law would be required and the whole program would need to be changed.

The Chairman called for any public comment.

Hellan Dowden, Teachers for Healthy Kids, said CMS has also issued draft regulations to eliminate Medicaid funding for schools doing outreach to help enroll children ("MAA" funding). California would lose \$95 million a year. Ms. Cummings asked Ms. Dowden to email her a copy of the handouts she brought. Ms. Dowden agreed to do so. Mr. Campana said the proposed changes could be in place by October 2008, a reduction of \$3.2 billion over five years nationally. He stressed that the funding is very connected to enrollment in the Healthy Families program and Medi-Cal because the funds are used to reimburse schools for some costs associated with holding community meetings and conducting mailings to promote the programs to parents. Ms. Crowell asked if the Administration has taken any actions to protest these cuts. Ms. Cummings said that the question relates to the purview of the Department of Health Care Services, but that she will look into it.

Chairman Allenby acknowledged Vallita Lewis, former Deputy Director for Benefits and Quality Monitoring (BQM), who recently took a position at the Department of Alcohol and Drugs. He thanked her for her 6 years of work at MRMIB and presented her with a token of appreciation. Ms. Cummings said that Ms. Lewis initiated several really important programs and she and staff are grateful for Ms. Lewis's work. Ms. Lewis thanked the Board and the staff at MRMIB for their work and support of her over the years and acknowledged the staff in BQM who had worked so diligently during her tenure.

Chairman Allenby acknowledged and thanked Lesley Cummings who recently completed her 10th year of work at MRMIB and presented her with a token of

appreciation. Ms. Cummings said that she loves the work at MRMIB, is honored to work for the Board and feels she has the best job in state service.

ITEM 8. HEALTHY FAMILIES PROGRAM (HFP) UPDATE

ITEM 8 a. Enrollment and Single Point of Entry Reports

Ernesto Sanchez reported that HFP has approximately 832,000 children enrolled in the program. Nearly 29,000 new subscribers enrolled in August, the highest level for any August on record. The complete report is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/HFP_August_2007_Summary_Languages-8.a.pdf

Mr. Campana said that demographics appear to be shifting as Riverside is now the third highest county for enrollment. Mr. Sanchez confirmed that is correct.

Chairman Allenby asked if there were any questions or comments. There were none.

ITEM 8 b. Administrative Vendor Performance Report

Mr. Sanchez reported that the HFP administrative vendor had met all process and quality performance requirements. The complete report is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/HFP_Adm_Vendor_Perf_August_2007_Summary_8.b.pdf.

Chairman Allenby asked if there were any questions or comments. There were none.

ITEM 8 c. Enrollment Entities/Certified Application Assistants Reimbursement Report

Larry Lucero presented the CAA and EE reports. There were around 150 new CAAs and 50 new EEs each month. He said that after the budget cut funding for Outreach, Enrollment, Retention and Utilization (OERU) funds, staff at the Department of Health Care Services asked that MRMIB remove blocks that had been placed on fee payments to those EE's who were getting OERU funding. Maximus did so very quickly and removed the blocks back to July 1st so that the EE's could receive payment retroactively. Ms. Cummings acknowledged staff at DHCS and MRMIB for handling this matter quickly. Chairman Allenby and Ms. Crowell also thanked the staff for their quick action. The report is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/EE_ReimRpt09-19.pdf.

Chairman Allenby asked if there were any questions or comments. There were none.

ITEM 8 d. Plan Selection Criteria for 2008 – 09 Contract Extensions

Denise Arend, Chief Deputy Director, presented a report which summarized plan performance for each of the HFP plans. She indicated that the purpose of the report

is to stimulate the Board's thinking on what criteria it might want to use in considering which plans should get contract extensions for FY 2008 – 2009. The information is a compilation of information already released on plan performance over the last several years using HEDIS and CAPS data. Ms. Arend acknowledged the work of Deborah Simmons and Mary Watanabe who are overseen by Shelley Rouillard and Terresa Krum on this project. More information will be presented at future meetings.

Ms. Crowell acknowledged that it is nice to see the culmination of lots of years of effort to establish systems that are helping with conducting this kinds of a comprehensive review.

The report is posted at

http://www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/8d_plan_performance_pfiles.pdf

ITEM 8 e. 2008 – 09 Contract Amendment Package

Ms. Arend presented the first viewing of proposed contract amendment language changes for the HFP contracts – health, dental and vision plans for the 2008-09 benefit year. She discussed amendments regarding the availability of federal funds, HEDIS measures and dental quality measures. The language is to be sent to the plans tomorrow or the next day with comments to be brought back to the board in October.

The report is posted at

www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/Agenda_item_8e_2008-09_Contract_Amendment_Package.pdf

Ms. Crowell asked why the contract language does not specify MRMIB's requirement for an 85% loss ratio nor detail any consequences for plans that do not make that goal. She said there ought to be a target and consequences for not meeting it. The Board is serious about this matter. Ms. Arend noted that the contract does contain a requirement for a specified loss ratio. She suggested that staff prepare options for the Board to consider in the final package for October for enforcement. Mr. Allenby said that would be appropriate.

ITEM 8 f. Update from the Department of Health Care Services on the Joint Application Project Budget

Ms. Cummings introduced Vivian Auble, Chief of Medi-Cal Eligibility Division, DHCS.

Ms. Auble said the project was authorized by the Governor's 2005/2006 budget to improve the joint HFP-Medi-Cal application and make it easier for families to apply for coverage. DHCS convened a stakeholder group to assist in updating the application, hired a linguistics consultant, and met for a couple of years. They anticipated completing their results last June but now plan for later completion due to additional

stakeholder concerns about the new requirements of the Deficit Reduction Act of 2005 regarding documentation of citizenship and identity, and about language for pregnant women's coverage of newborns. These changes were incorporated and the new version is now being focus-group tested and translated. DHCS expects to roll out the final product in December.

Chairman Allenby asked if there were any questions or comments. There were none.

ITEM 8 g. 2006/2007 Budget Enrollment Changes

Mr. Sanchez presented a report about how enrollment in HFP had benefited from changes that were made to enrollment processes beginning in January 2007. These eliminated the requirement that families mail in initial premium payments with their application and make plan selections before their application was considered complete. Nearly 108,000 children have enrolled under one of the new processes. There has been a 16 percent increase in enrollment since implementation began, an 8 percent decrease in denials due to incomplete applications, 14 percent decrease in disenrollments due to non-payment (meaning that families are paying their premiums) and a 44 percent decrease in issuance of refund checks to persons denied or moved to Medi-Cal. The changes likely are linked to the greatest enrollment per month for new subscribers that the program has ever experienced.

The report is posted at
www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/Impact_of_2006_Budget_Streamlined_Enrollment_Changes_9-19-07_8.g.pdf.

He acknowledged the work of Thien Lam and Shirley LaFayette. Ms Chang, Ms. Crowell and Mr. Allenby all acknowledged the good work done on this by MRMIB staff.

ITEM 8 i. Rural Health Demonstration Project Awards

Alba Garcia presented a report summarizing the applications submitted to MRMIB and recommendations for funding rural health demonstration projects. MRMIB received 143 proposals from Healthy Families plans, exceeding \$37 million in requests. Six million in funding is available. Staff recommend funding 24 projects – six regarding mental health, four regarding general anesthesia, two regarding mobile dental, five regarding diabetes, two regarding chronic disease education, one regarding medical access and one regarding telemedicine. Three new counties are participating in the rural health demonstration projects – Imperial, San Bernardino, and Riverside. Approved projects will start November 1, 2007. The report is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/Agenda_item_8i_RHDP.pdf

Ms. Chang moved to make the awards as proposed by the staff and the Board passed the recommendations unanimously.

Ms. Rouillard recognized Ms. Garcia for her work on the project along with Renee Jackson and Ruth Jacobs.

Mr. Allenby thanked the staff for their excellent work and the positive outcomes in looking at different ways of presenting and providing services. Ms. Crowell said how important the program is and how satisfying it is to see the good work of the program.

ITEM 8 j. Adoption of Emergency Regulations to Delete the Healthy Families-to-Medi-Cal Bridge

Janette Lopez presented proposed regulations deleting the two-month bridge from HFP to Medi-Cal for children going through annual review and whose income is too low for HFP and replacing it with a presumptive eligibility process. This change is consistent with the enacted trailer bill and was required as a result of CMS refusal to reauthorize the bridge upon expiration of the parental waiver. Instead of covering the children for two months in HFP, they will receive presumptive eligibility in Medi-Cal which will continue until final eligibility determination is made. The draft regulations are posted at

www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/HFP_Current_Regulations.Include_NSLE_Enrollment_8.j.pdf

Ms. Crowell moved to adopt the regulations and the Board voted unanimously to do so.

ITEM 8 k. Proposed Dental Quality Measures

Carolyn Tagupa noted that staff had convened a Dental Advisory Group to advise staff on the dental quality measures MRMIB should use in HFP. She acknowledged all of the working group members who participated in the project. She presented a report summarizing the work done and the recommendations of the group. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/agenda_item_8k.pdf.

The work group considered thirteen measures. Staff are recommending eight: annual dental visits from HEDIS with comparison data from the National Committee for Quality Assurance; overall utilization of dental services; preventative services received; dental treatment services received; oral health evaluation; treatment prevention of cavities; filling to preventative services ratio; and continuity of care. Ms. Tagupa also reviewed the measures not being recommended and explained why staff had not recommended them.

Ms. Rouillard said that the measures selected are proposed to be included in the dental contract amendments being brought to the Board in October.

Ms. Crowell thanked the dental advisory committee for their work on the project. Ms. Rouillard thanked Ms. Tagupa and Ruth Jacobs.

ITEM 9. ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE

ITEM 9 a. Enrollment Report

Mr. Sanchez presented the latest report to the Board. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/AIM_August_2007_Summary_9.a.pdf. There were no public comments or questions.

ITEM 9 b. Administrative Vendor Performance Report

Mr. Sanchez presented the latest report to the Board. The contractor met all of its target goals. The report is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/AIM_Adm_Vendor_Perf_August_2007_Summary_9.b%20.pdf. There were no public comments or questions.

ITEM 9 c. Financial Report

Ms. Krum presented the latest report to the Board. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/9c_AIM_Financial_Report.pdf. There is \$3,298,969 balance unappropriated, \$13,843,729 in liabilities and \$17,142,710 total assets. There were no public comments or questions.

ITEM 10. MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

ITEM 10 a. Enrollment Report

Mr. Sanchez presented the latest report to the Board. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/MRMIP_August_2007_Summary_10.a.pdf

ITEM 10 b. Administrative Vendor Performance Report

Mr. Sanchez presented the latest report to the Board. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/MRMIP_Adm_Vendor_Perf_August_2007_Summary_10.b.pdf

ITEM 10 c. Financial Report

Ms. Krum presented the latest report to the Board. It is posted at www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/10c_MRMIP_Financial_Report.pdf. There is \$27,098,998 balance unappropriated, \$13,016,267 in liabilities and \$40,115,267 total assets. The beginning fund balance changed since there was \$7.3 million in additional funds needed to cover 2005/2005 costs.

ITEM 10 d. Adoption of Proposed Regulation Changes in MRMIP

Ms. Cummings presented proposed regulation changes in MRMIP for adoption by the Board. These were first presented at the July Board meeting. Staff have amended the regulations per the Board's direction from the last meeting. Changes included adding the most current immunization schedules. Regarding co-payment not exceeding 25 percent of the cost of covered services, legal counsel advised that it is appropriate this remain unchanged and if one went to having a deductible in the future then it would be again be relevant.

Ms. Crowell moved to adopt the regulations and the Board voted unanimously to do so.

These are available on the website at
www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/10.d%209-19-07_BOARD_MEETING.pdf

ITEM 10 e. Subscriber Premiums Benefit Year 2008

Ms. Krum presented a report to the Board on subscriber premiums for the benefit year beginning January 2008. Subscribers pay 125 percent of what the plan would charge for the MRMIP product in the individual market. She said that Pricewaterhouse Coopers (PwC) reviewed the rates proposed by plans and did not identify any significant issues regarding the proposed rates. The average 2008 rate increase across all plans is around 6.5 percent, compared with 2.7 percent in 2007. The \$500 deductible made the 2008 increase a few percentage points lower than it would have been without it. Ms. Cummings said that according to PwC, the percent increase would have actually been higher than 10 percentage points. The PwC report is online at
www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/MRMIP_August_Forecasting_10.f.pdf.

ITEM 10 f. Revised MRMIP Enrollment Estimate for July 2007 through June 2008

Ms. Cummings said that because a total of \$18 million was cut from the MRMIP budget, there is insufficient funding to bring persons currently in the Guarantee Issue Pilot Program back into the MRMIP upon expiration of the pilot. So, at least until there is additional revenue, the present arrangement will need to remain in place. Additionally, PwC recommends that with the reduced funding, the MRMIB enrollment cap be reduced to 8,101. Enrollment is presently 7,900. She noted that the program had not been seeing net growth in the last year, but suggested that this would change once the GIP sunsets. Ms. Cummings said that MRMIP is no longer disenrolling people to the Guarantee Issue Pilot (GIP) program as of September. GIP sunsets on December 31, 2007 but disenrollment must stop in September per

counsel's advice. She asked Janette Lopez to review a chart with the Board that shows disenrollments, past and projected.

Janette Lopez reviewed the chart and indicated that staff project that MRMIB will have to establish a wait list for the program in October or November.

Chairman Allenby asked if those who had made the decision to reduce MRMIP funding were aware of the consequences when they took the action. Ms. Cummings replied that she was unaware of the assumptions they made or the information they had. The Chairman noted that if legislation is passed in special session it would be effective 90 days from whenever it is signed.

Chairman Allenby said that obtaining a State General Fund loan might be an option if the legislature passed legislation increasing funding for MRMIP in the future.

The report can be located at
www.mrmib.ca.gov/MRMIB/Agenda_Minutes_091907/MRMIP_August_Forecasting_10.f.pdf

There being no further business to come before the Board, the meeting was duly adjourned at 12:32 pm.